

The FY 2016 total estimated revenues from county sources is \$594.9 million, an increase of \$36.5 million or 6.5% from the FY 2015 Adopted Budget. Estimates presented in this section exclude the revenues derived from Bond/Lapsed Bond Funds. Estimated revenues provide the funds for government operations and capital improvement projects. The major source of operating revenue for the County of Maui comes from taxes which include Real Property Tax, Transient Accommodations Tax, Public Service Tax, Public Transit Fare, Fuel Tax, Franchise Tax, Weight Tax, and charges for services for Sewer and Cesspool, Landfill Disposal, Refuse Collection, and Water Service fee. Cumulatively, these revenues account for 76.3% of the total county funds. The estimated revenues from these major sources are collected by the General Fund, Highway Fund, Wastewater Fund, Solid Waste Fund and Water Supply Fund.

The charts presented throughout this section reflect actual and budgeted revenue for the last ten years, except for the Public Transit Fare Collection, which began in 2007; hence, that chart covers the years since then. The budgeted revenue and mid-year revised estimate are as of December 31, 2014, and are reflected as the FY 2015 Mayor's Estimates.

### General Economic Overview

Despite slower than anticipated tourism growth and a lack of meaningful residential construction activity, the Maui economy continues its incremental recovery. Though inconsistent, this recovery has been buoyed by the continuing strength of the real estate market and an improving labor market. Maui is fortunate to have a unique set of economic drivers including Hawaiian Commercial & Sugar (HC&S) Company, the Haleakala observatories, the Maui Research and Technology Park and the ever expanding campus at University of Hawaii (UH) Maui College. Each of these help to buffer the cyclical economics of the tourist sector and contribute to our overall economic growth. Looking forward, the County of Maui remains optimistic about the opportunities that the coming years will bring.

### Tourism

The visitor industry is the largest component of the Maui economy accounting for approximately 40% of its overall GDP. The expected 2-3% increase in the rate of visitor arrivals did not materialized in 2014 and it is anticipated that the number of visitor arrivals will be level with the numbers achieved in 2013. Although visitor arrival growth has slowed, it is estimated that total arrivals for 2014 will be at or near the pre-recession peaks for 2006 and 2007. Visitor make up continues to consist primarily (85%) of travelers from the U.S. West and East coasts and Canada.

Commensurate with the leveling off of visitor arrival growth, visitor spending is also expected to slow in 2014. Visitor spending patterns have changed over the years and current visiting shoppers are generally more cautious about their outlays.

The County of Maui, in collaboration with the Maui Visitors Bureau, has begun to more aggressively market "Maui" in the greater Pacific Basin, with emphasis on Korea. This coupled with the recent addition of room inventory (Andaz at Wailea, Montage at Kapalua, Westin at Kaanapali renovations and the recently completed Hyatt time-share units) and the increase in flights from both Honolulu and direct flights from the mainland U.S., give reason to be optimistic for the balance of 2014 and into 2015.

### Construction

The predicted rebound in the Maui construction industry has yet to occur, largely due to the lack of meaningful residential construction. Though commercial construction has been steady it has fallen short of prior year projections. The initial 70 acre increment of A&B's Maui Business Park is on the market as is fee-simple commercial space at the Maui Lani Village Center.

**General Economic Overview (Cont'd)**

The infrastructure section remains the dominant contributor to the local constructions industry. The new airport access road (\$53 million), the new centralized rental car facility (\$250 million), and the airport runway resurfacing project (\$3.2 million) are either underway or will be shortly. Additionally, a various other airport improvement projects (totaling \$7 million) along with a County airport efficient lighting installation project (\$60 million) are scheduled to begin next year.

**Technology**

According to the UH institute for Astronomy, the eight observatory facilities at Haleakala have an annual operating budget of \$40.4 million and support 167 jobs for county residents. This number is down over last year due to Federal spending and employment reductions. The new \$340 million Advanced Solar Technology Telescope project, recently renamed the Daniel K. Inouye Solar Telescope (DKIST), is well underway with completion slated for 2019. Local contractors will be paid an estimated \$29.5 million for labor/materials associated with site work and facility construction, with another \$49 million to be spent on Maui for the construction/assembly of the actual telescope. Once in operations, its annual budget is expected to add \$18 million and 35 local jobs to the Maui economy. The Research and Technology Park in Kihei continues to complement the work being done at the Haleakala observatories.

**Education**

UH Maui College continues to expand its physical plant at the \$4.5 million Daniel K. Inouye Allied Health Center is slated for completion by the end of 2014. Additionally, the \$3.5 million student housing renovation project should be underway prior to year end and a \$4.0 million food innovation center is currently in the design phase. Enrollment remains at approximately 4,000 students and is not expected to grow markedly over the next few years.

**Agriculture**

Agriculture provides Maui with an important additional economic component to that provided by tourism. Unfortunately, the four year run of increasing yearly sugar yields at HC&S has ended, largely due to excessive rainfall. Recent water rulings reducing the amount of surface water the plantation can receive will increase water pumping costs moving forward and will reduce the amount of excess electricity that the company can sell to Maui Electric. Despite the passage of the U.S. National farm bill, the future viability of HC&S and its 800 employees remains uncertain.

Two large seed corn companies, Monsanto and Dow Agro, have helped to diversify Maui County's agricultural base. Collectively these two agricultural companies employ 640 people with an annual payroll in excess of \$17.8 million. Many in the community oppose their products and farming techniques. A recent ballot initiative requiring a moratorium on genetically modified organism (GMO) related farming activities is being contested in the courts. Should the initiative be upheld it is clear there will be a significant adverse near term economic impacts on both Maui and Molokai.

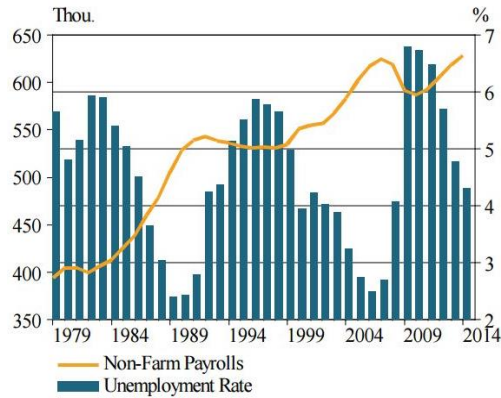
**Jobs/Retail**

Maui has regained approximately two-thirds of the almost 10,000 jobs it lost during the "Great Recession" which has reduced the County's unemployment rate to 5%. The tourism related sectors (Accommodations, Food Service) had the largest job increases, however, job creation has been uneven at best across most of the other sectors of the local economy. The lack of affordable housing in proximity to the location of available jobs continues to be a problem for local employers.

From a retail perspective things appear to be improving. Increased revenues of 3-4% have been reported at Maui's largest mall, Queen Kaahumanu Shopping Center, and additional retail capacity has

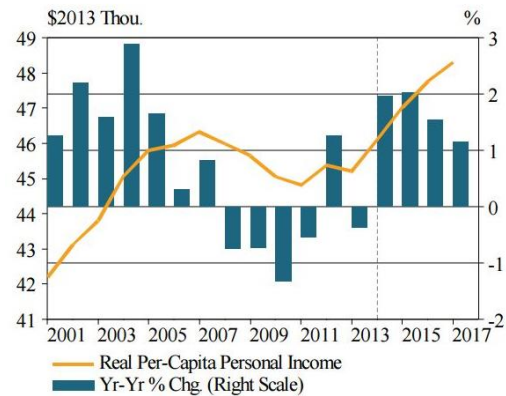
### General Economic Overview (Cont'd)

been added with the new Foodland in Kehalani and Safeway store in Wailuku. Further, the new Target and TJ Maxx stores in Kahului signal increased investor confidence in the Maui retailing sector.



NON-FARM PAYROLLS HAVE NOW SURPASSED PRE-RECESSION LEVELS, AND THE UNEMPLOYMENT RATE CONTINUES TO DECLINE.

Figure 34



MODERATE INCOME GROWTH WILL CONTINUE FOR THE NEXT SEVERAL YEARS.

Figure 35

### Real Estate

In general, the Maui real estate market has rebounded and is strong, driven mainly by the lack of supply, especially in the residential sector. The County's Affordable Housing ordinance which requires developers to provide 50% of the units proposed for a development project to be at affordable prices combined with entitlement regulatory hurdles which often take years to overcome has helped to curtail residential development and put a damper on residential construction activity. This in turn has pushed median single family home prices back up to pre-2007 levels. The value of residential permits has declined from approximately 60% of all permits ten years ago to 30% today. On a more positive note, foreclosures now present only 15% of the overall real estate transactions in 2014, down from 45% in 2011. Condominium sales activity is now above 2007 levels, while the median condo price continues to lag.

The recovering real estate market boosted real property assessed values which allowed the county to increase tax collections by approximately \$9.8 million in FY 2014.

Figure 36

HAWAII ECONOMIC INDICATORS YEAR-OVER-YEAR PERCENT CHANGE						
	2012	2013	2014	2015	2016	2017
Visitor Arrivals	9.7	1.7	2.0	1.0	1.1	0.9
U.S. Visitor Arrivals	5.2	0.7	1.3	1.7	1.2	1.0
Japan Visitor Arrivals	18.0	3.6	-0.5	-2.7	-0.1	-0.4
Other Visitor Arrivals	17.6	3.2	6.4	2.3	1.8	1.6
Non-farm Payrolls	2.2	2.1	1.5	1.6	1.2	1.1
Unemployment Rate (%)	5.7	4.8	4.3	3.8	3.6	3.4
Inflation Rate, Honolulu MSA (%)	2.4	1.8	1.0	0.7	2.3	3.1
Real Personal Income	2.2	0.6	2.9	2.9	2.3	1.9
Real GDP	1.5	1.9	2.9	3.8	2.6	2.0

Note: Source is UHERO. Figures for income, inflation and GDP for 2014 are UHERO estimates. Figures for 2015-2017 are forecasts.  
Non-farm Payrolls for 2013 and 2014 are UHERO estimates of the benchmark revision.

### General Fund

The estimated revenues in FY 2016 for the General Fund are approximately \$348.5 million, which comprises approximately 58.6% of the total estimated revenues from County Funds. General Fund revenue is estimated to increase by \$17.8 million from FY 2015. The increase in General Fund revenue for Fiscal Year 2016 is mainly due to anticipated increases in Real Property Taxes, Interfund Transfers, and Licenses, Permits & Others; offset by a decrease in Carryover/Savings estimated at the end of Fiscal Year 2015.

The General Fund estimated revenues consist of the following major revenue sources: Real Property Tax, Transient Accommodations Tax, and Public Service Company Tax.

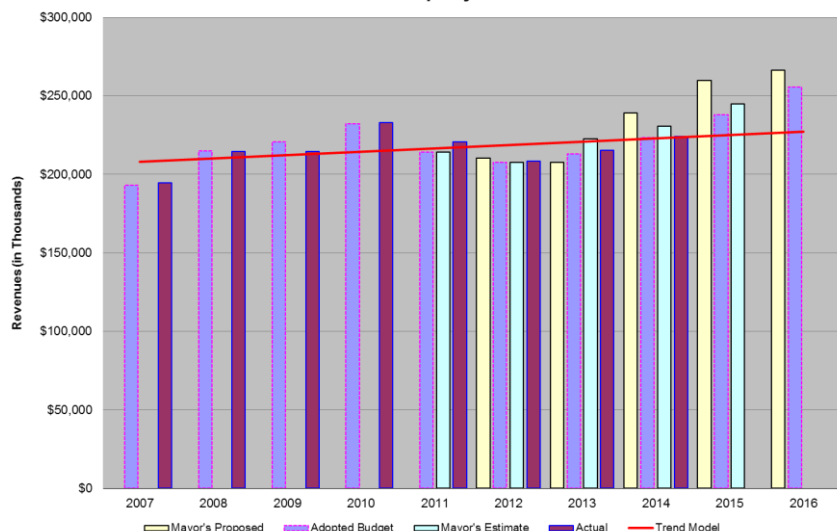
### Real Property Tax

Real Property Tax revenue is the most significant revenue source for the county and is the largest revenue component of the General Fund. Unlike many other states, Hawaii State law allows for the counties to retain 100% of the real property tax levied in their jurisdiction. Real Property Tax revenue is based on valuations applied to real property with tax rates assigned to each of the ten classifications.

Figure 37

The estimated real property tax revenue for FY 2016 is based on the projected certified values of real property of approximately \$40.71 billion – up 11.0% from FY 2015. Value increases are the result of a rebounding real estate market, new construction, significant renovations and a slight increase in parcel count. Values were established by analyzing sales that occurred between July 1, 2012 and June 30, 2013. A significant addition to the county's real property tax revenue is the recent completion of the \$40 million 131-room Hyatt Ka'anapali Beach, a Hyatt Residential Club Resort timeshare.

Real Property Tax



For FY 2016, the estimated revenue from real property taxes is \$255.6 million, which represents 73.3% of all General Fund revenues, and 43.0% of all county revenues. The estimated real property tax revenues (net of estimated Circuit Breaker credits) for FY 2016 reflects an increase of \$17.9 million or 7.5% from the Fiscal Year 2015 Adopted Real Property Tax Revenue from the Budget - \$237.7 million.

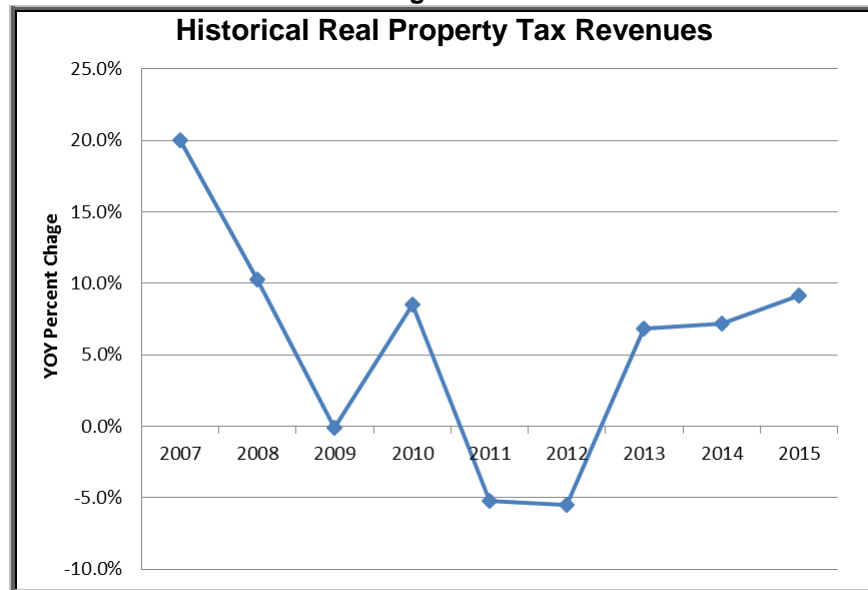
The FY 2016 estimated revenue of \$255.6 million is based on a tax decrease in all classifications from FY 2015 rates and includes an adjustment for the Circuit Breaker Tax Credit Program. This program, provides qualified homeowners a credit to their real property tax bill equal to the amount their bill exceeds 2.0% of their adjusted gross income. The circuit breaker program is anticipated to reduce real property tax revenue by approximately \$360,846 in FY 2016.

Figure 38 below compares the adopted rates per \$1,000 of net taxable assessed valuation for each class of property in the last three fiscal year.

**Figure 38**  
**Real Property Tax Rates Comparison Table**

Classification	Tax Rates			FY16 Adopted vs. FY15 Adopted	
	FY 2014 Adopted	FY 2015 Adopted	FY 2016 Adopted	Change \$	Change %
Residential	\$5.75	\$5.57	\$5.40	-\$0.17	-3.1%
Apartment	\$6.40	\$6.20	\$6.00	-\$0.20	-3.2%
Commercial	\$7.05	\$6.83	\$6.60	-\$0.23	-3.4%
Industrial	\$7.30	\$7.07	\$6.85	-\$0.22	-3.1%
Agricultural	\$6.05	\$5.86	\$5.75	-\$0.11	-1.9%
Conservation	\$6.25	\$6.06	\$5.90	-\$0.16	-2.6%
Hotel & Resort	\$9.40	\$9.11	\$8.85	-\$0.26	-2.9%
Time Share	\$15.55	\$15.07	\$14.55	-\$0.52	-3.5%
Homeowner	\$2.87	\$2.78	\$2.75	-\$0.03	-1.1%
Commercialized Residential	\$4.60	\$4.46	\$4.35	-\$0.11	-2.5%

**Figure 39**





### Transient Accommodations Tax

The Transient Accommodations Tax (TAT) is levied by the State of Hawaii upon every operator and plan manager on the gross rental or gross rental proceeds derived from furnishing transient accommodations such as hotels.

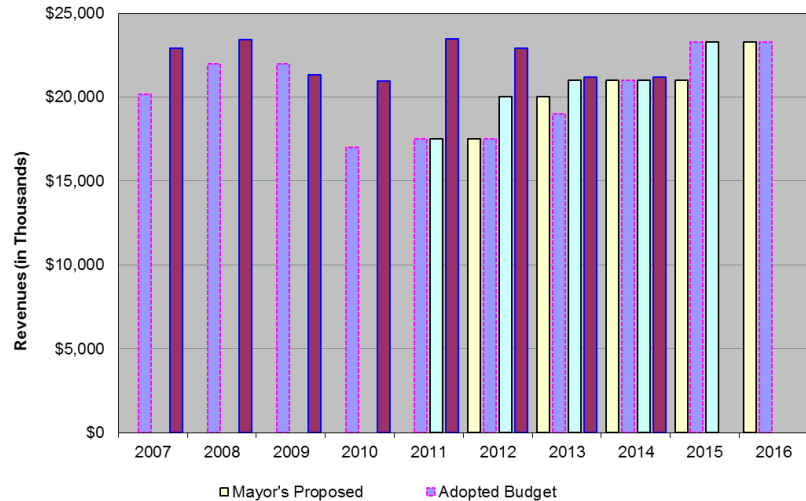
The TAT collected by the State of Hawaii, is distributed amongst the state and the counties. The County of Maui receives 22.8% of the total distributed to the counties. The state legislature has currently capped the dollar amount distributed to the counties. For FY 2014 the cap was \$93 million, for FY 2015 and FY 2016 the cap was raised to \$103 million.

The current legislation requires for the cap to be decreased to \$93 million for FY 2017 and beyond.

The FY 2016 estimated revenues derived from TAT as adopted are \$23.3 million, 6.7% of all General Fund revenues, and 3.9% of the entire county's revenue. The FY 2016 budgeted revenues remain the same from FY 2015 due to the cap.

Figure 40

Transient Accommodations Tax



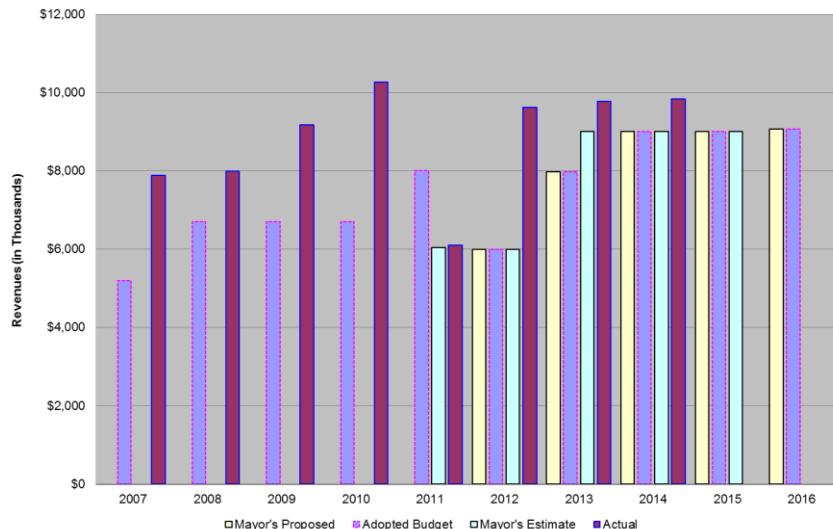
### Public Service Company Tax

Included in the taxes category for the General Fund is the Public Service Company (PSC) Tax. This tax, which is levied against public utilities, provides for a tax of 1.885% of the gross income in lieu of real property tax. Collections of the PSC tax started in FY 2002.

The estimated PSC Tax revenue is \$9.1 million for FY 2016, an increase of \$61,812 or 0.7% from FY 2015 Adopted Budget. The Public Service Company Tax represents 2.6% of the total General Fund revenue and 1.5% of the total county's revenue.

Figure 41

Public Service Company Tax



### Highway Fund

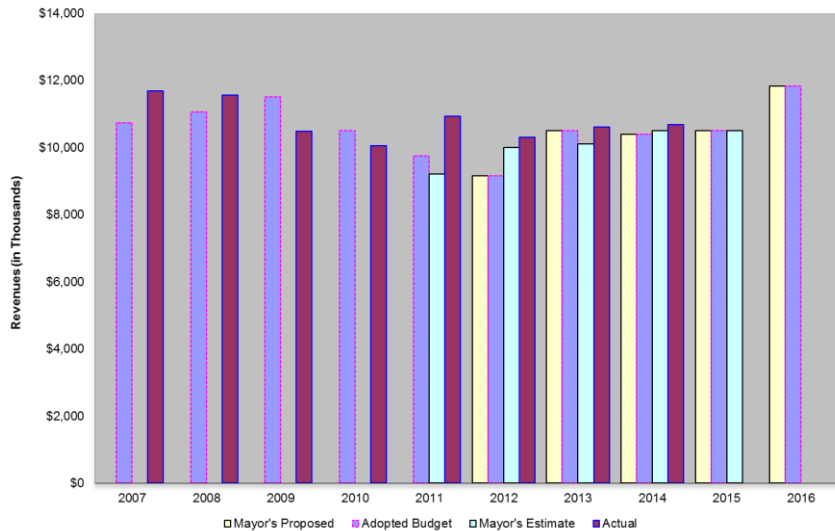
The estimated \$49.0 million in revenue for the Highway Fund for FY 2016 represents 8.2% of the estimated revenues from county sources. Revenue for the Highway Fund is derived from fuel, weight and franchise taxes as well as public transit fares.

### Fuel Tax

Fuel Tax collection in FY 2016 is estimated to contribute \$11.8 million in revenue to the Highway Fund, making up 24.1% of all Highway Fund revenue. The Fuel Tax is based on the number of gallons of fuel purchased. In FY 2016, the increase in revenue from the Fuel Tax is estimated at \$1.3 million, a 12.7% increase from the FY 2015 Adopted Budget. The increase in estimated revenue for the Fuel Tax reflects a 6.5% rate increase or \$0.02 per gallon for gas and diesel offset by a slight decrease in fuel consumption due to continued efforts in energy efficiency and the increased popularity of electric vehicles. The Fuel Tax revenue represents 2.0% of the estimated revenues from county sources.

Figure 42

Fuel Tax

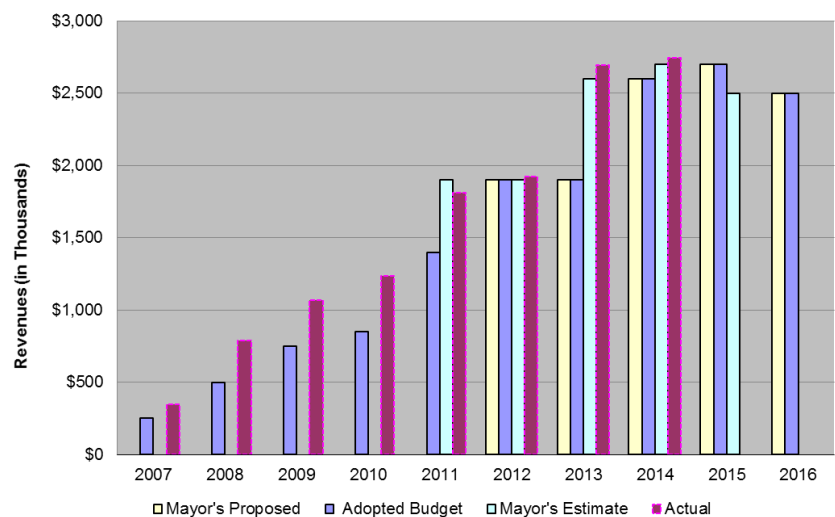


### Public Transit Fare

Public transit fare collection is estimated to contribute \$2.5 million to the Highway Fund in FY 2016. The county's public transit program is a fairly recent addition. There are four types of monthly passes available to the public: General Boarding at \$45 per month for all routes; \$25 per month for passengers 55 years and older on fixed routes; \$30 for passengers 55 years and older on paratransit routes; and \$30 for students with valid ID on fixed and paratransit routes. In addition to monthly passes, daily passes for all routes are available for \$4 and one-way rates are \$2 per boarding.

Figure 43

Public Transit Bus Fares



The estimated revenue of \$2.5 million from public transit bus fare collection represents a decrease of \$200,000 from FY 2015 Adopted revenues. The Public Transit Fare is anticipated to contribute 5.1% in revenue to the Highway Fund and 0.4% to the total revenue from county sources.

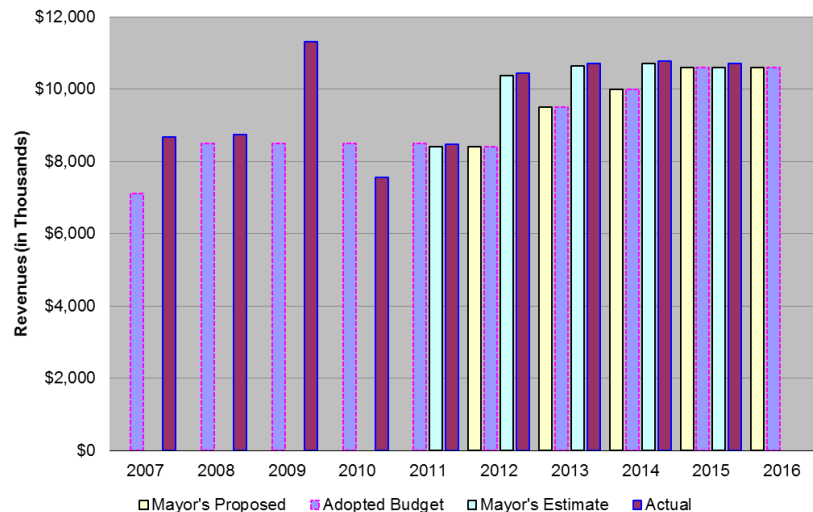
### Franchise Tax

The Franchise Tax is collected from a tax on 2.5% of annual gross receipts from electric and gas companies operating as public utilities in the County of Maui. Similar to the Public Service Company Tax, fluctuations in Franchise Tax collections may be due to the increased cost of fuel and energy conservation measures.

The estimated revenue from the Franchise Tax for FY 2016 is \$10.6 million. The Franchise Tax represents 21.6% of the total Highway Fund revenues and 1.8% of the county's total revenues.

Figure 44

Franchise Tax



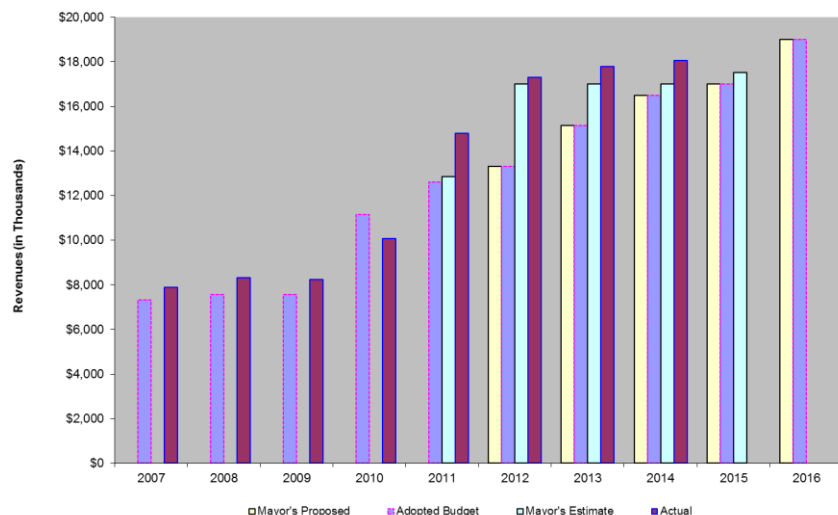
### Weight Tax

For FY 2016, the Weight Tax is being raised by one-quarter of one cent from \$0.0275 to \$0.03 per pound of net weight for passenger vehicles, trucks and non-commercial vehicles not exceeding 6,500 pounds; and from \$0.04 to \$0.0436 per pound of net weight for all other motor vehicles. This equates to a 9.0% rate increase for the Weight Tax in FY 2016.

The FY 2016 estimated revenue of \$19.0 million for the Weight Tax is an increase of \$2.0 million or 11.8% from FY 2015 Adopted Budget. At this level, the Weight Tax will contribute approximately 38.8% of the estimated FY 2016 Highway Fund revenue and 3.2% of the county's total revenue.

Figure 45

Street Use Weight Tax



### Wastewater Fund

The Wastewater Fund's FY 2016 estimated revenue is \$69.8 million, an increase of \$7.7 million or 12.3% from the FY 2015 Adopted Budget. This fund represents 11.7% of the county's total estimated revenues. This fund's main source of revenue is derived from sewer and cesspool fees. Wastewater billing is directly tied to Water Supply billing.



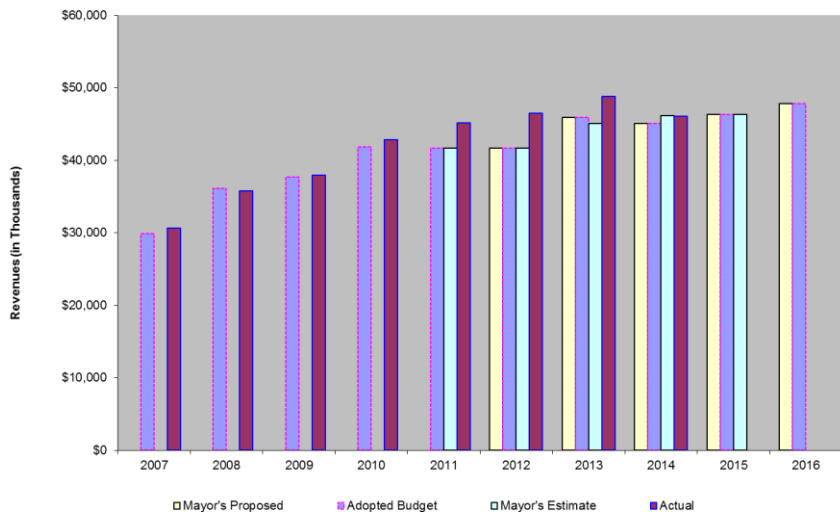
### Sewer and Cesspool

Sewer and cesspool fees are collected as charges for current services and used to fund the operations and capital improvement projects of the Department of Environmental Management, Wastewater Division. Residential users are charged a monthly base charge and a water usage charge per dwelling unit in accordance with amounts set in the annual budget. Non-residential wastewater system service charges are also charged a monthly base charge, plus a variable charge based on the total amount of water used each billing period.

The \$47.8 million in estimated revenue from sewer user fees for FY 2016 is an increase of \$1.5 million or 3.2% from the FY 2015 Adopted Budget. Rising costs and infrastructure repair and improvements necessitate an increase in the fee charges by 5.0% to users of the County's sewer system. At this level, the sewer user fees will contribute to approximately 74.5% of the estimated FY 2016 Wastewater Fund revenue and 8.0% of the county's total revenue.

Figure 46

Sewer, Cesspool, Septic, & Reclaim Fees

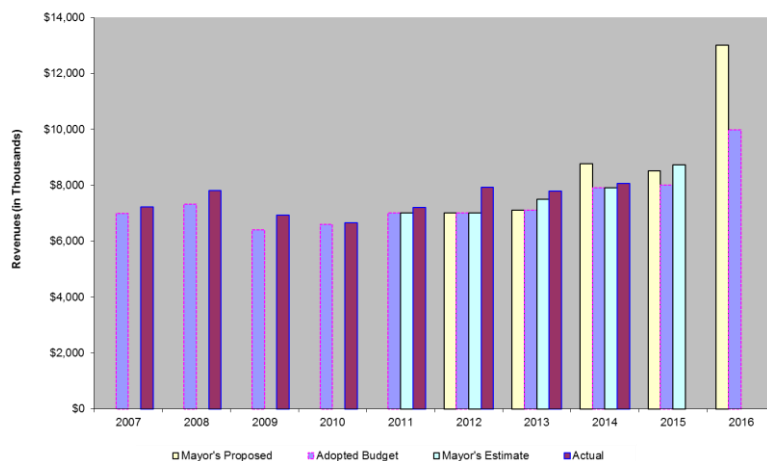


### Solid Waste Fund

The FY 2016 estimated revenue for the Solid Waste Fund is \$31.6 million, which represents 5.3% of the county's total estimated revenues. This includes interfund transfers of \$2.1 million from the Wastewater Fund for inter-company services and from the General Fund for supplemental funding in the amount of \$13.4 million. Fees associated with landfill disposal and refuse collection are the major sources of revenue for this fund.

### Landfill Disposal Fees

Landfill Tipping and Permit Fees



Landfill disposal fees (landfill tipping and permit fees) are collected as charges for current services. The estimated revenue of \$10.0 million in FY 2016 for landfill disposal fees is an increase of \$2.0 million or 24.6% from the FY 2015 Adopted Budget.

The projected increase in landfill disposal fee revenue is mainly due to the increase in the commercial tipping fee from \$65.60 per ton to \$76 per ton. Landfill disposal fees represent 31.6% of the total Solid Waste Fund's estimated revenues and 1.7% of the total County Funds.

Figure 47

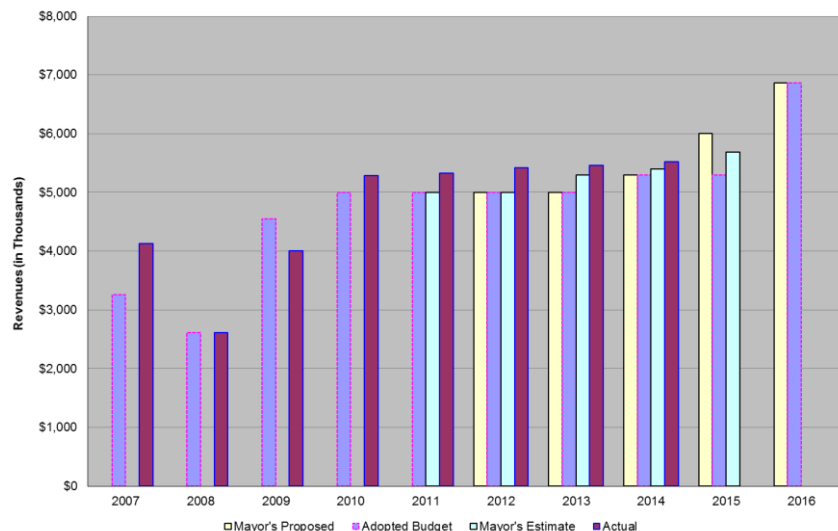
### Refuse Collection Fees

Refuse collection fees are collected as charges for current services. In FY 2016, the adopted rate for this service increased from \$18 to \$22 per refuse collection unit per month on the islands of Maui and Molokai, where once-a-week manual or twice-a-week automated service is provided. On the island of Lanai, the adopted rate increased from \$9 to \$11 per refuse collection unit per month, where only once-a-week services is provided.

This service is projected to generate \$6.9 million in annual revenue in FY 2016, an increase of \$1.6 million or 29.5% from the FY 2015 Adopted Budget. The refuse collection fees generate 21.7% of the total Solid Waste Fund's revenue and represents 1.2% of the total estimated revenues from county sources.

Figure 48

Refuse Collection Fees



### Water Supply Fund

The estimated revenue for the Water Supply Fund from all sources for FY 2016 is \$90.0 million, which funds Water Supply operations and capital improvement projects. This represents 15.1% of the county's total estimated revenues. Water service fees are the major source of revenue for this fund.

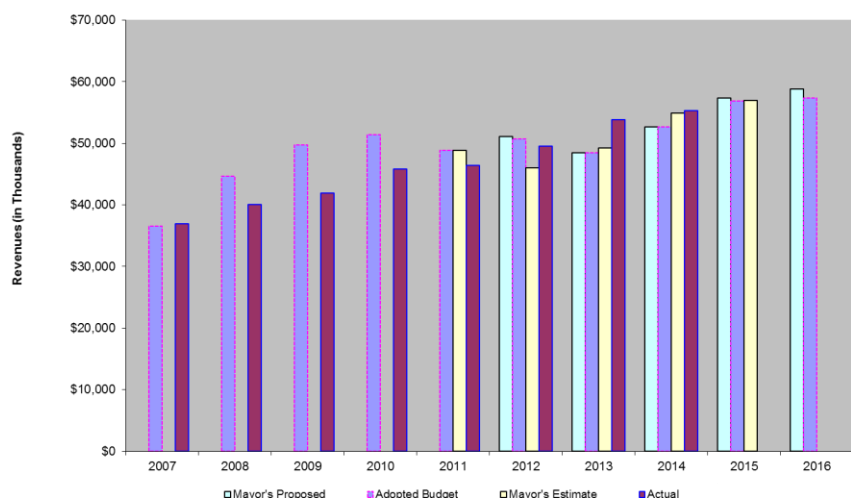
### Water Service Fees

Water service fees are the primary source of revenue for the Department of Water Supply. The fee is charged to customers on a monthly basis (formerly bi-monthly) for water usage. An accrual for unbilled water revenue is made based on the estimated usage from the meter reading date nearest June 30<sup>th</sup> to the end of the fiscal period.

The Council did not approve the proposed rate increase of 2.5%. The department has implemented conservation programs to encourage consumers to conserve and restrain water usage. While this has been very beneficial for saving water, increased water conservation by consumers has resulted in less revenue for the department. Water revenue for the last few years has been affected by successful conservation efforts; however, water conservation will not be discouraged.

Figure 49

Water Service Fees



***Water Service Fees (Cont'd)***

The anticipated revenue from water service fees is \$57.4 million, an increase of \$532,875 or 0.9% from the FY 2015 Adopted Budget. Water service fees generate 64.1% of the total Water Supply Fund's revenue and represents 9.6% of the total estimated revenues from county sources.